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Food Products Marketing Opportunities

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Report Highlights:

According to AC Nielsen's Grocery Category Performance Report 2000, food products in frozen dinners/entrées and frozen seafood including shellfish food categories were both in the top five in terms of value of sales and percentage growth. As such, these food categories would be considered as Canadian "best prospects" for the U.S. manufactured food exporting industry who wish to target Canada.

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FOOD MARKETING IN CANADA

Pasta and Sauce

According to the December/January 2001 edition of *Western Grocer*, statistics compiled by AC Nielsen in its MarketTrack, Grocery Category Performance Report showed that sales for the following pasta and sauce products for the 52 week period ending June 17, 2000. Relative percentage changes over this 52 week period are also reported in the table below.

Table 1: Pasta and Sauce Sales

Product	Sales (C$'000)	% Change[1]
Refrigerated Pasta	$16,683	4.0%
Dry Pasta	$50,979	(1.7%)
Canned Pasta	$25,673	5.0%
Refrigerated Pasta Sauce	$9,812	3.0%
Spaghetti Sauce	$50,611	2.7%
Tomato Sauce	$13,536	no change
Tomato Paste	$6,070	(1%)
Pizza/Lasagna Sauce	$3,113	2%

1. Change over the 52-week period ending June 17, 2000.

Retailers note that while the traditional cuts of pasta, like spaghetti, are still popular, people are looking for different shapes. Variety has become important to consumers. People want better value and quality and frozen pasta is making a comeback. One retailer says that "The sky's the limit for pasta. In the future, the category will get bigger, better, and more exciting. The possibilities for shapes, fillings and colors are just endless."

The trend in pasta lately is toward the shorter goods. Penne, rigatoni and jumbo shells have real appeal. The long products are not growing as fast. Another retailer states that "the hot shapes now are the short goods. Penne rigate is the fastest growing shape, and bow ties are doing well. Certain shapes retain sauces better. Those that hold sauce well are doing better." The company notes that the "interest in health is fueling growth for pasta overall. According to a marketing manager for Nabisco in Toronto, 45% if all pasta sold is either spaghetti, spaghettini or macaroni, with penne rigate and rotini showing growth. Canadian household penetration of pasta is 92%, while pasta sauce penetration is 72%. Canadians consume 12 pounds per capita of pasta while Italians eat 65 to 70 pounds per person per year. In Canada, the competition is around price." The retailer also commented that the pasta industry in Canada may be in the process of reinventing itself, saying, "The concept of an Italian meal is changing. Both old and new customers are rediscovering a Mediterranean diet."

Manufacturers are also looking seriously at the upscale pasta market. Canadian companies have introduced certified organic semolina products as well as kamut-based organic pasta. One company has specifically introduced a line of certified organic vegetable-flavored pasta, as well as corn and rice-based pasta for the celiac market, stating that there is demand for these types of products for which people are willing to pay a premium.

Prepared and Semi-Prepared Meals

According to statistics released in the AC Nielsen, Grocery Category Performance Report for the 52 weeks ending July 15, 2000, and quoted in *Western Grocer Magazine*'s December/January 2001 article entitled "Meals in Minutes" - there is growth in most segments of this category in Canada.

Table 2: Prepared, Semi-Prepared Meals, Entrées and Snacks

Product	Sales (C$'000)	% Change[1]
Frozen/Refrigerated Pizza, French Bread & Subs	$45,683	19.3%
Frozen Dinners/Entrées[2]	$204,481	8.7%
Frozen Pizza Snacks	$30,559	no change
Fresh Tortilla Shells	$16,080	3.7%
Mexican Dinner Kits and Shells	$8,823	5.7%
Dry Packaged Dinners	$59,719	2.7%

1. Change over the 52-week period ending July 15, 2000, relative to the same time period in 1999.
2. Includes egg/spring rolls and meat pies.

The research from AC Nielsen indicates that the largest increase in this category was for frozen/refrigerated pizza, French bread and subs compared to figures from the same period last year. Nestle Canada's Stouffer's Meal Solutions states that "the majority of the working public don't start thinking about dinner until they are in their car, on the bus, and headed for home." To save the consumer time and energy, the company producers single serve frozen entrées, saying that "the single serve frozen entrée category continues to be more relevant for today's consumers." Another retailer states that "The category has experienced growth over the last few years. It's well consumed across all demographics because people's active lifestyles demand convenience." The same retailer notes that traditional style meals are still selling well, although there is a segment of the market that is looking for more contemporary meals or meals with reduced fat or calories.

According to a senior marketing manager for Pillsbury Canada's Green Giant Value-Added Vegetables, the meal solution category comprises both meal starter and complete meal products. Complete meals exist primarily in the frozen format, while meal starters can be found in any format. "There's more work with a meal starter, but a consumer can add his or her own touch. People want to control the quality and the quantity of the meat ingredient." A marketing manager for General Mills Canada indicates that consumers are looking for more convenient and easy meals, yet they want to feel good about the product. According to Kraft Canada, "families value sit-down dinners, but they typically lack the time to make labor-intensive, old-fashioned meals. Canadians consume 82% of their dinner meals at home and prepare 52% of them from scratch."

On the Mexican food front, the Old El Paso line from Pillsbury Canada provides Canadian consumers with complete kits that come with seasoning, shells and sauces. The components are also sold separately. An Old El Paso business team leader states that, "the strongest growth in the category continues to come from the meal related items of kits, shells and seasoning."

Canadian consumers are also looking at ways of providing lunch solutions in fast and convenient ways. A product manager for Kraft Canada states people have no time to make lunch, so the company has introduced a "Lunchables" line with three product types including fun packs, enhanced regular, and regular. The company has also recently introduced Cinnamon Rolls. Kraft states that purchases of these types of items are very much impulse driven. The company cites research stating that over half of mothers make their decisions in-store.

According to J.M. Schneider of Kitchener, Ontario, statistics from an FCPMC Consumerline Survey indicate that 62% of Canadian consumers feel time constrained, and 27% said they frequently do not have time to prepare a main meal. "Lunch combinations are the sixth fastest growing grocery category.

Other Frozen Foods

AC Nielsen's Market Track, Consumer Sales Report, with statistics reported in *Western Grocer Magazine*'s "Frozen is Hot" December/January 2001 article also reported on frozen food sales for the 52 week period ending July 15, 2000. The following table reports on sales statistics for this food category (some frozen food products have been reported in Table 2 above).

Total frozen food sales in Canada reached the C$2 billion mark in 2000, and 49% of Canadian households have ready-made frozen entrées in their freezers, according to the Food Products Manufacturers of Canada report, "Health, Time and Shopping: The Balancing Act." Frozen prepared meals account for approximately 25% of total frozen food sales, an increase of 11% over 1999 figures, according to AC Nielsen, for the 52 week period ending August 12, 2000. Canadians have bought more than 257 million frozen prepared meals in 2000, a testimony to the popularity of this category.

Table 3: Other Frozen Foods

Product	Sales (C$'000)	% Change[1]
Frozen Prepackaged Meat Patties and Steakettes	$19,187	14.7%
Frozen Baked Deserts	$8,203	11%
Frozen Seafood including Shellfish	$61,527	7.7%
Frozen Potatoes	$39,033	6.3%
Frozen Convections	$41,969	5.3%
Frozen Yogurt	$5,964	2.3%
Ice Cream and Related Products	$103,874	1.3%
Frozen Vegetables	$74,896	no change
Frozen Breakfasts	$27,069	(5%)
Frozen Fruit	$13,593	(5%)
Frozen Pie/Tart Patty Shells	$7,463	(4.6%)
Frozen Fish and Chips	$3,091	(18%)
Frozen Bread Dough	$1,717	n.r.

1. Change over the 52-week period ending July 15, 2000, relative to the same time period in 1999.
n.r. = "not recorded"

The article notes that there have been changes galore in this category, with the frozen dinner going upscale. Frozen pizza (Table 2) is quite popular with consumers focused on a quick and family pleasing alternative. A major Canadian manufacturer has launched teen–focused flavors along with new packaging. A business team leader for Pillsbury Canada reports that "new flavors/varieties are important to teen consumers." According to a product manager for Kraft Canada, time-starved consumers are searching for easy dinner solutions, and frozen pizza requires less time and is less expensive than carry-out/delivery pizza. "Consumers want the product to taste as good as delivery pizza. They're also looking for value and convenience. The product's key benefit is its ability to provide the freshly baked taste of carry-out/delivery pizza in their homes." A marketing manager with J.M. Schneiders, commenting on frozen pizza, says that "the category is booming. There's been phenomenal growth."

The article goes on to state that when consumers opt to prepare their own meals, the frozen foods category plays a part in their dinner plans. Ready frozen garlic and herb cubes are available, on demand for any recipe. A food company from Toronto states that "one clove of fresh garlic is mixed with soybean oil and salt and then frozen. The herbs are mixed with water and modified corn starch. They're good for 18 months and the flavor is retained." Imported from Israel, the products are packaged in mini-ice cube trays. Over 90% of consumers will buy the product again after a trial. The products are also kosher.

In conclusion, the article states that through the various innovations that continue to push the frozen food category ahead, the homemade experience becomes more and more a part of what can be found in the grocer's freezer. The result is a popular destination for consumers and a profit generator for retailers.

Comments:

In terms of absolute dollar value of sales for the top five food categories, frozen dinners/entrées grossed the highest at C$204.5 million dollars. Second was ice cream and related products at C$103.9 million, frozen vegetables were third at C$74.9 million, fourth was frozen seafood including shellfish at C$61.5 million, while dry packaged dinners came in fifth at C$59.7 million dollars.

In terms of food products that exhibited the highest growth, the top five products are first, frozen/refrigerated pizza french bread and subs at 19.3%. Second was frozen prepackaged meat patties and steakettes at 14.7%, frozen baked desserts came in third at 11%, fourth was frozen dinners/entrées at 8.7%, while frozen fish including shellfish came in fifth with growth of 7.7%. Food products in these food categories that have shown good growth would represent marketing opportunities for U.S. companies looking at exporting products to Canada. As frozen dinners/ entrées and frozen seafood including shellfish were both in the top five in terms of value of sales and percentage growth, these food categories would be considered as Canadian "best prospects" for the U.S. manufactured food exporting industry who wish to target Canada

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